

**AUDIT REPORT OF
MASON COUNTY
SHERIFF'S SETTLEMENT-2005 TAXES**

June 13, 2006

**Donna Bouvier
Certified Public Accountant**

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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
MASON COUNTY
SHERIFF'S SETTLEMENT - 2005 TAXES

June 13, 2006

I have completed the audit of the Sheriff's Settlement - 2005 Taxes for Mason County Sheriff as of June 13, 2006. I have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$9,206,442 for the districts for 2005 Taxes; retaining commissions of \$342,268 to operate the Sheriff's office. The Sheriff distributed taxes of \$8,856,230 to the districts for 2005 taxes after refunds of \$7,944.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable James Gallenstein, Mason County Judge/Executive
Honorable Tony Wenz, Mason County Sheriff
Members of the Mason County Fiscal Court

Independent Auditor's Report

I have audited the Mason County Sheriff's Settlement - 2005 Taxes as of June 13, 2006. This tax settlement is the responsibility of the Mason County Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Mason County Sheriff's taxes charged, credited, and paid as of June 13, 2006, in conformity with the modified cash basis.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable James Gallenstein, Mason County Judge/Executive
Honorable Tony Wenz, Mason County Sheriff
Members of the Mason County Fiscal Court
(Continued)

In accordance with *Government Auditing Standards*, I have issued a report dated August 16, 2006, on my consideration of the County Sheriff's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Respectfully submitted,

Donna Bouvier

Donna Bouvier
Certified Public Accountant

August 16, 2006

MASON COUNTY
TONY WENZ, SHERIFF
SHERIFF'S SETTLEMENT - 2005 TAXES

June 13, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,070,578	\$ 1,582,814	\$ 2,798,527	\$ 820,150
Tangible Personal Property	293,080	422,941	619,165	749,361
Intangible Personal Property	-	-	-	119,817
Franchise Corporation	205,975	177,746	473,553	-
Bank Franchises	55,374	-	-	-
Additional Billings	243	316	564	654
Limestone, Sand & Gravel Reserves	3,303	3,052	8,634	2,530
Increased Through Erroneous Assessments	4,720	7,621	10,631	2,027
Penalties	5,538	7,563	14,315	4,481
Adjusted to Sheriff's Receipt	8	263	3	(119)
Gross Chargeable to Sheriff	<u>\$ 1,638,819</u>	<u>\$ 2,202,316</u>	<u>\$ 3,925,392</u>	<u>\$ 1,698,901</u>
<u>Credits</u>				
Discounts	23,109	34,340	57,814	29,504
Exonerations	16,301	24,185	36,632	5,114
Delinquents:				
Real Estate	5,615	7,326	14,677	4,302
Tangible Personal Property	7	10	14	14
Uncollected Franchise	5	5	12	-
Total Credits	<u>\$ 45,037</u>	<u>\$ 65,866</u>	<u>\$ 109,149</u>	<u>\$ 38,934</u>
Taxes Collected	1,593,782	2,136,450	3,816,243	1,659,967
Less: Commissions *	<u>68,023</u>	<u>88,922</u>	<u>114,487</u>	<u>70,836</u>
Taxes Due	1,525,759	2,047,528	3,701,756	1,589,131
Taxes Paid	1,524,527	2,045,867	3,698,552	1,587,284
Refunds (Current and Prior Year)	<u>1,232</u>	<u>1,661</u>	<u>3,224</u>	<u>1,827</u>
Due Districts or (Refund(s) Due Sheriff)				
as of Completion of Fieldwork	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20)</u>	<u>\$ 20</u>

See Page 4.

The accompanying notes are an integral part of the financial statement.

MASON COUNTY
TONY WENZ, SHERIFF
SHERIFF'S SETTLEMENT - 2005 TAXES
June 13, 2006
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	4,629,429
4.00% on	\$	750,770
3.00% on	\$	3,816,243

The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENT

MASON COUNTY
NOTES TO FINANCIAL STATEMENT

June 13, 2006

Note 1: Summary of Significant Accounting Policies:

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2: Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
SHERIFF'S SETTLEMENT - 2005 TAXES
June 13, 2006
(Continued)

Note 2: Deposits (Continued)

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 13, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3: Property Taxes

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2005, through April 30, 2006.

Note 4: Interest Income

The Mason County Sheriff earned \$1,973 as interest income on 2005 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5: Sheriff's 10% Add-on Fee

The Mason County Sheriff collected 22,088 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6: Advertising Costs and Fees

The Mason County Sheriff collected \$1,070 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Donna Bouvier
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Owensboro, KY 42301
270-316-3771

To the Honorable James Gallenstein, Mason County Judge/Executive
Honorable Tony Wenz, Mason County Sheriff
Members of the Mason County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

I have audited the Mason County Sheriff's Settlement - 2005 Taxes as of June 13, 2006, and have issued my report thereon dated August 16, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Mason County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mason County Sheriff's Settlement -2005 Taxes as of June 13, 2006, is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Report On Internal Control Over Financial Reporting
And On Compliance and Other Matters Based On An Audit
Of The Financial Statement Performed In Accordance With
Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Donna Bouvier

Donna Bouvier
Certified Public Accountant

August 16, 2006